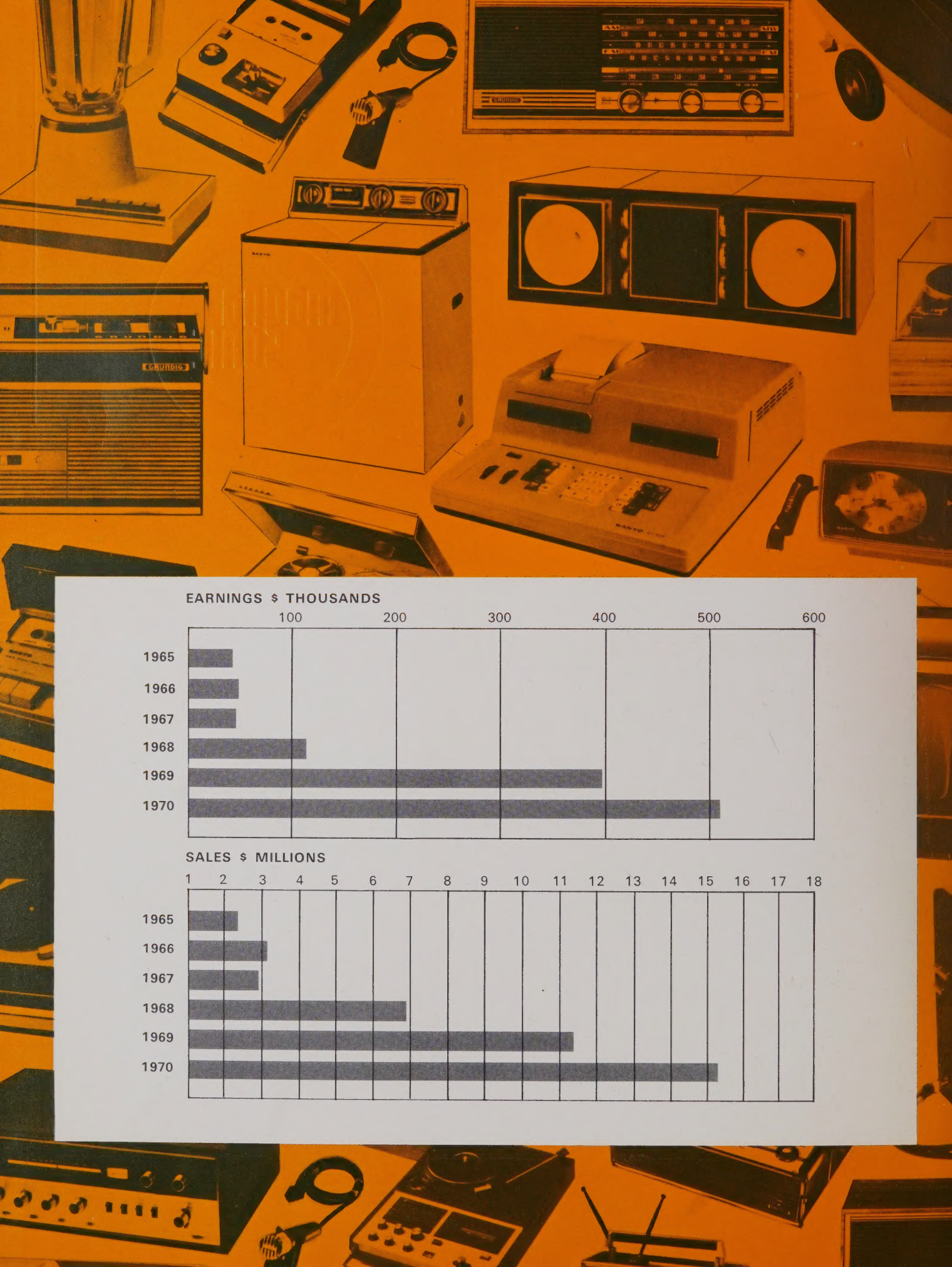


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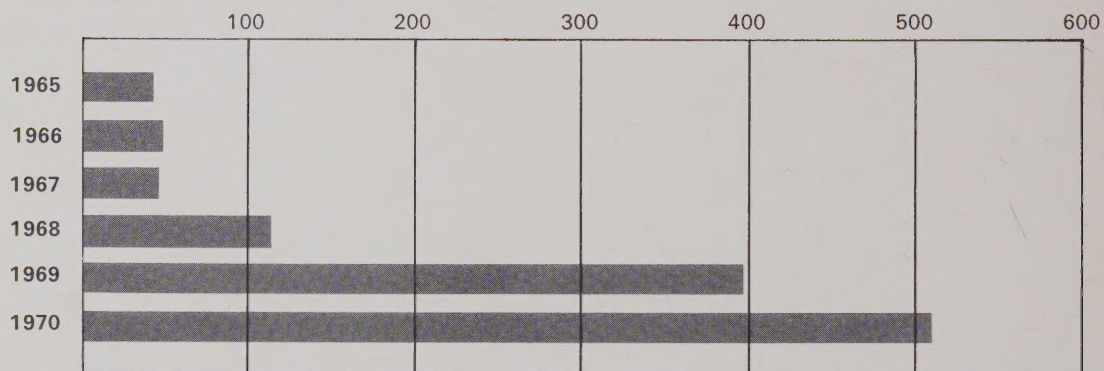


MAGNASONIC CANADA LTD.

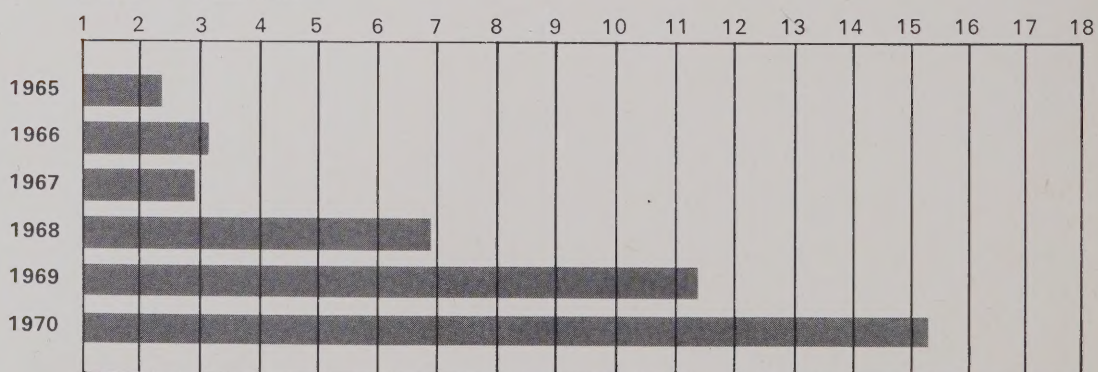
Annual Report 1970



EARNINGS \$ THOUSANDS



SALES \$ MILLIONS

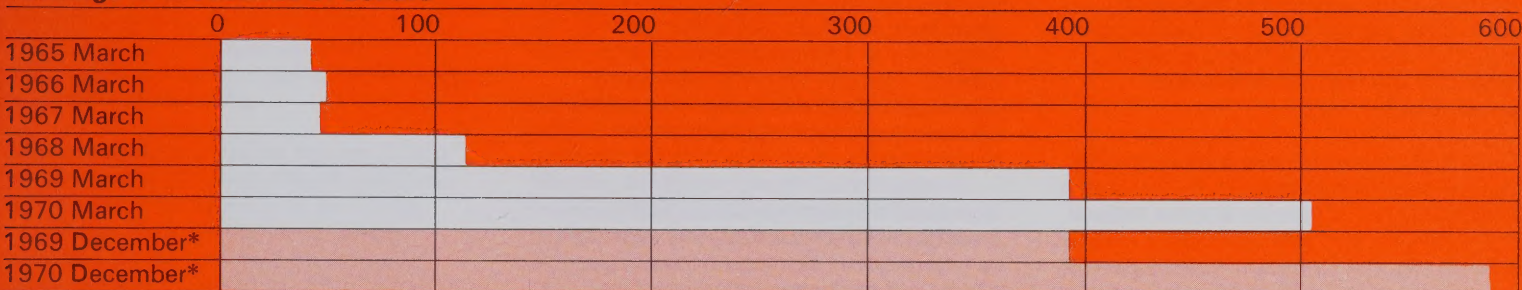


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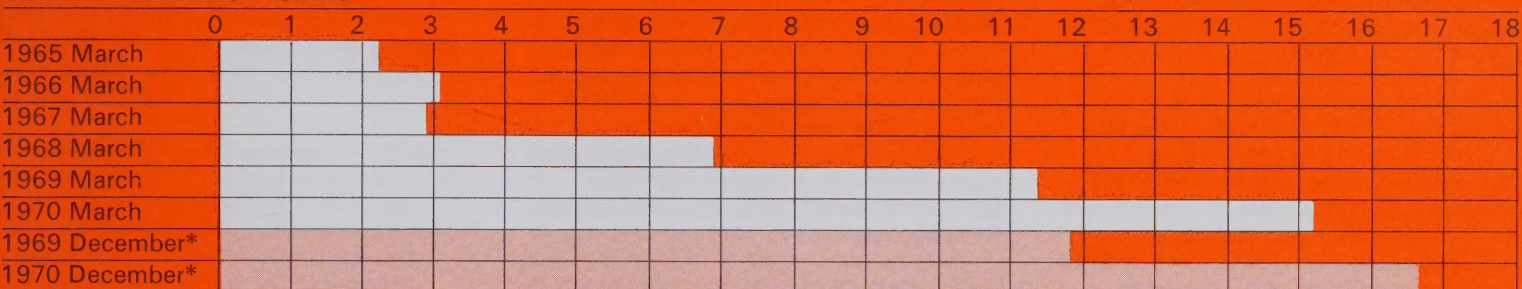
The logo consists of the words "magna" and "SONIC" in a bold, sans-serif font. "magna" is in lowercase and "SONIC" is in uppercase. They are positioned one above the other, with the "n" in "magna" overlapping the "S" in "SONIC". The text is white and is set against a solid orange circular background.

magna
SONIC

Earnings in thousands of dollars



Sales in millions of dollars



1970 Financial Highlights

	1970*	1969* (unaudited)
Sales and other revenues	\$16,644,357	\$11,829,585
Earnings before income taxes	1,110,385	813,740
Income taxes	602,628	419,746
Earnings before extraordinary item	507,757	393,994
Extraordinary item	80,925	—
Net earnings	588,682	393,994
Working capital	3,201,620	2,710,606
Total assets	10,088,399	9,344,289
Long term debt	360,000	360,000
Shareholders' equity	3,205,837	2,487,393
Shares outstanding — average	1,002,500	833,333
Earnings per share**	58.7¢	47.3¢
Shares outstanding — end of period	1,002,500	1,000,000
Earnings per share***	58.7¢	39.4¢

Notes :

* For the nine months ended December 31.

** These earnings per share are calculated based upon the weighted monthly average number of shares outstanding during the periods.

*** These earnings per share are calculated based upon the total number of shares outstanding at the end of the periods.

To our Shareholders

The Board of Directors is pleased to submit the annual report of the Company together with audited financial statements for the nine months ended December 31, 1970.

The 1970 operations resulted in another year of outstanding growth in both sales and earnings. To provide a more natural financial year end and to simplify internal procedures, the Company's fiscal period was changed in 1970 to the nine months ended December 31. The financial statements include comparative figures for the corresponding nine months ended December 31, 1969.

Sales and other revenues reached a record high of \$16,644,357 compared with \$11,829,585 in 1969. The earnings also attained a new record at \$588,682 compared with \$393,994. It is significant that the Company's objectives have been exceeded, notwithstanding difficult business conditions and a period of restrictive monetary policies.

During the year, we broadened and extended our distribution facilities, particularly in the Prairies and Western Canada. Branches were opened in Vancouver, Edmonton, Calgary, Winnipeg and Halifax and these new locations have considerably improved the service available to our customers. To cope with the increasing demand for our products, we are continuing to recruit and train sales personnel and to enlarge existing facilities and open branches wherever necessary.

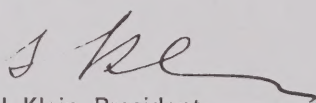
Construction has commenced on the consolidated head office, showrooms, plant and central warehouse building, with anticipated occupancy in early fall 1971. Sanyo Canada Ltd., in which the Company has a 50% interest, continues to manufacture black and white television sets. The completion of its new larger premises, to be located in the above mentioned building, will make it possible to expand into the manufacture of colour television sets and some other items presently imported.

Apart from successfully continuing its expansion program, management was able to improve further the Company's

efficiency and maintain its momentum of growth in revenues and earnings. Magnasonic stands today as one of Canada's largest importer-distributor organizations of electronic home entertainment products and household appliances.

Demand for our products should be increasing throughout the year, especially as new products emerge from our suppliers, and as the recently organized business products, contracting, white goods and small appliance divisions gain momentum. To provide the Company with balanced financing, during 1971 additional common shares may be issued from treasury, pursuant to an underwriting agreement presently under negotiation. The Company's outlook remains bright and management looks forward to years of uninterrupted growth for Magnasonic.

This sustained growth was made possible by the combined talents and dedication of our employees. We thank them for their loyalty and the contribution that they have made toward our most successful year.



I. Klein, President

Montreal, May 14, 1971

A nos actionnaires

Le Conseil d'administration a l'honneur de vous présenter le rapport annuel de la compagnie ainsi que les états financiers vérifiés pour les neuf mois terminés le 31 décembre 1970.

Nos activités de 1970 se sont traduites par une autre année de développement remarquable de nos ventes et de nos bénéfices. Pour permettre d'adopter une date de clôture de l'exercice plus rationnelle et de simplifier les méthodes internes de gestion, l'exercice 1970 a été limité à la période de neuf mois terminés le 31 décembre de cette année. Les états financiers incluent les chiffres comparatifs pour la période correspondante de 1969.

Les ventes et autres revenus ont atteint un sommet de \$16,644,357 comparativement à \$11,829,585 en 1969. Les bénéfices ont également atteint un nouveau record de \$588,682, comparativement à \$393,994. Il est significatif que la compagnie ait pu dépasser ses objectifs malgré une situation économique difficile et dans une période de restrictions monétaires.

Au cours de l'exercice, nous avons élargi et étendu nos services de distribution, notamment dans les régions des Prairies et de l'Ouest du Canada. Nous avons ouvert de nouvelles succursales à Halifax, Winnipeg, Calgary, Edmonton et Vancouver, ces nouveaux établissements améliorant considérablement nos services aux clients. Pour répondre à la demande croissante de nos produits, nous poursuivons le recrutement et la formation de notre personnel de ventes, l'expansion de nos installations actuelles et la création de nouvelles succursales chaque fois que la nécessité s'en fait sentir.

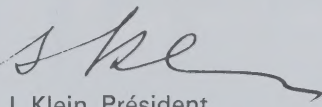
Nous avons commencé la construction de l'immeuble central qui devra grouper sous un même toit le siège social, les salles de présentation, l'usine et l'entrepôt principal, et dont l'inauguration est prévue pour le début de l'automne 1971. Sanyo Canada Ltd., dans laquelle la compagnie possède une participation de 50%, poursuit la fabrication de téléviseurs noir et blanc. Une fois que la division aura emménagé dans les nouveaux locaux dont nous venons de

parler, elle pourra passer à la fabrication de téléviseurs couleur et d'autres produits actuellement importés.

La compagnie n'a pas seulement poursuivi avec succès son programme d'expansion, les efforts de la direction ont réussi à améliorer encore le rendement des opérations et à soutenir la marche ascendante des revenus et des bénéfices. Magnasonic est aujourd'hui l'une des organisations les plus importantes du Canada dans le domaine de l'importation et de la distribution des appareils électroniques d'agrément et des appareils ménagers.

La demande de nos produits devrait continuer d'augmenter cette année, notamment grâce à l'introduction de nouveaux produits par nos fournisseurs, et à l'essor que devraient prendre nos divisions récemment nées des gros et petits appareils ménagers, des produits commerciaux et des travaux par contrat. Pour assurer à la compagnie l'équilibre financier nécessaire, en 1971 la trésorerie pourra émettre d'autres actions ordinaires aux termes d'un contrat de souscription actuellement en voie de négociation. Les perspectives de la compagnie restent brillantes et la direction envisage pour Magnasonic plusieurs années de développement ininterrompu.

Les progrès accomplis jusqu'ici sont attribuables au savoir-faire et au zèle de nos employés. Nous les remercions de leur dévouement et de la part qu'ils ont prise à faire de l'année écoulée la plus fructueuse que nous ayons connue.



I. Klein, Président

Montréal, le 14 mai 1971

Artist's sketch of Magnasonic's
new premises at 8191 Montview Road,
Town of Mount Royal, P.Q.

Les nouveaux établissements de Magnasonic,
au 8191, Montview Road,
Ville Mont-Royal, P.Q.,
d'après un dessin d'artiste.







1 Ike Klein, president

2 From left to right : Robert Hirschel, C.A., vice-president, finance ; Emil Marx, vice-president and general manager ; Bernard Klein, executive vice-president

3 From left to right : Ralph Leib, marketing manager and J.V.C. division ; Edward Leckner, sales manager Sanyo division ; Jack Gartner, sales manager Grundig-Kenwood division

4 From left to right : Peter Horak, sales manager for Ontario ; Reuben Klein, vice-president and general manager Ontario operations

5 From left to right : Edward Chabun, sales manager for Alberta ; Harry Ings, general manager Western Canada operations ; Donald Sterna, sales manager for British Columbia

6 From left to right : Scott Nason, sales manager for Maritimes ; Don Nason, assistant sales manager for Maritimes

1 Ike Klein, président

2 De gauche à droite : Robert Hirschel, C.A., vice-président, service financier ; Emil Marx, vice-président et directeur-général ; Bernard Klein, vice-président administratif

3 De gauche à droite : Ralph Leib, directeur du marketing et de la division J.V.C. ; Edward Leckner, directeur des ventes, division Sanyo ; Jack Gartner, directeur des ventes, division Grundig-Kenwood

4 De gauche à droite : Peter Horak, directeur des ventes pour l'Ontario ; Reuben Klein, vice-président et directeur général de l'exploitation pour l'Ontario

5 De gauche à droite : Edward Chabun, directeur des ventes pour l'Alberta ; Harry Ings, directeur général de l'exploitation pour l'Ouest du Canada ; Donald Sterna, directeur des ventes pour la Colombie-Britannique

6 De gauche à droite : Scott Nason, directeur des ventes pour les Maritimes ; Don Nason, directeur adjoint des ventes pour les Maritimes

Magnasonic Canada Ltd.
Statement of Operations and Retained Earnings
For the nine months ended December 31, 1970
(with comparative figures for the nine months ended December 31, 1969)

	1970	1969 (Unaudited)
Sales and Other Revenues	\$16,644,357	\$11,829,585
Cost of goods sold and operating expenses	15,027,639	10,612,286
Depreciation and amortization	59,296	29,498
Interest on long-term debt	20,250	13,500
Other interest	426,787	360,561
	15,533,972	11,015,845
Earnings before Income Taxes	1,110,385	813,740
Provision for income taxes	602,628	419,746
Earnings before Extraordinary Item (Note 6)	507,757	393,994
Extraordinary item (Note 7)	80,925	—
Net Earnings (Note 6)	588,682	393,994
Retained Earnings — Beginning of Period	1,185,838	711,522
	1,774,520	1,105,516
Expenses of public issue (net of income tax savings)	—	(30,690)
Retained Earnings — End of Period	\$ 1,774,520	\$ 1,074,826

Magnasonic Canada Ltd.
Balance Sheet as at December 31, 1970
(With comparative figures as at December 31, 1969)

Assets	1970	1969 (Unaudited)
Current		
Accounts receivable	\$ 4,597,998	\$ 3,567,614
Inventory at the lower of cost or net realizable value (Note 2)	5,095,092	5,625,447
Prepaid expenses	31,092	14,441
	9,724,182	9,207,502
Investments		
Marketable securities — at cost (quoted value — \$5,100)	10,000	—
Shares in affiliated company — at cost	250	250
Advances to affiliated company	104,296	13,077
	114,546	13,327
Fixed		
Furniture, fixtures and equipment	291,894	174,535
Leasehold improvements	103,905	79,456
At cost	395,799	253,991
Accumulated depreciation and amortization	187,378	130,531
	208,421	123,460
Goodwill		
At cost, less accumulated amortization of \$13,750	41,250	—
	\$10,088,399	\$ 9,344,289

The accompanying notes are an integral part of the financial statements.

Liabilities	1970	1969 (Unaudited)
Current		
Bank indebtedness (Note 3)	\$ 1,278,274	\$ 307,617
Accounts payable and sundry liabilities	4,321,400	5,600,083
Accounts payable — affiliated company	203,891	—
Income taxes payable	718,997	589,196
	6,522,562	6,496,896
Long-term		
Notes payable (Note 4)	360,000	360,000

Shareholders' Equity

Capital Stock (Note 5)	1,332,500	1,313,750
Contributed Surplus	98,817	98,817
Retained Earnings	1,774,520	1,074,826
Total Shareholders' Equity	3,205,837	2,487,393
	\$10,088,399	\$ 9,344,289

Approved on behalf of the Board :

I. Klein, Director

R. Hirschel, Director

Magnasonic Canada Ltd.
Statement of Source and Use of Funds (Note 8)
For the nine months ended December 31, 1970

Source of funds

Net earnings for the period	\$ 588,682
Charges not requiring an outlay of funds — depreciation and amortization	59,296
	647,978
Issue of common shares	18,750
	666,728

Use of funds

Reclassification of marketable securities	10,000
Additional advance to affiliated company	50,937
Additions to fixed assets	123,783
Purchase of goodwill	55,000
	239,720

Increase in Working Capital	427,008
Working Capital — Beginning of Period	2,774,612
Working Capital — End of Period	\$3,201,620

Auditors' Report to the Shareholders of Magnasonic Canada Ltd.

We have examined the balance sheet of Magnasonic Canada Ltd. as at December 31, 1970 and the statements of operations and retained earnings and source and use of funds for the nine months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1970 and the results of its operations and the source and use of its funds for the nine months then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Zittler, Siblin, Stein, Levine & Co.
Chartered Accountants

Westmount, Quebec
March 25, 1971

1. Change of Fiscal Year End

Effective December 31, 1970, the Company changed its fiscal year end from March 31 to December 31 and consequently comparative audited figures are not available for the nine month period ended December 31, 1969.

2. Assets Pledged

Negotiable warehouse receipts in the amount of \$605,631 have been pledged to a commercial banker as security for outstanding accepted letters of credit totalling \$384,827.

3. Bank Indebtedness

The bank indebtedness is secured by a registered general assignment of book debts.

4. Notes Payable

These consist of 7½% Subordinated Notes due September 1, 1974 and are redeemable, in whole or in part, at the option of the Company at any time and from time to time after September 1, 1970 at par plus accrued interest, provided that any such redemption does not have the effect of reducing the Company's working capital below \$2,000,000.

5. Capital Stock

- a Authorized :
2,000,000 Common shares without nominal or par value
Issued :
1,002,500 Common shares (1969 — 1,000,000 shares)
- b During the period, the Company issued 2,500 common shares for a cash consideration of \$18,750 pursuant to the exercise of an option granted to a senior employee of the Company.
- c Stock Options :
 - i Officers and Employees
As at December 31, 1970, options were outstanding with respect to 20,000 Common Shares at prices ranging from \$6.00 to \$7.50 per share and expire on or before September 1, 1974.
 - ii Others
Pursuant to an underwriting agreement dated September 29, 1969, an option had been granted by the Company to Pitfield, Mackay, Ross & Company Limited to purchase up to 12,500 common shares at a price of \$5.50 per share

up to March 29, 1971.

The option was exercised on March 19, 1971.

6. Earnings Per Share	1970	1969
Earnings before extra-ordinary item	50.6¢	47.3¢
Extraordinary item	8.1¢	—
Net earnings	58.7¢	47.3¢

The above calculations have been based upon the weighted monthly average number of shares outstanding during the period (1970 — 1,002,500 ; 1969 — 833,333).

7. Extraordinary Item

As a result of the freeing of the Canadian dollar on June 1, 1970, the Company realized an extraordinary gain in the amount of \$80,925 (net of income taxes) in settlement of its accounts payable in foreign currencies outstanding as at May 31, 1970.

8. Statement of Source and Use of Funds

As a result of the change of the Company's fiscal year from March 31 to December 31, no comparative figures are provided for the nine months ended December 31, 1969.

9. Basis of Translation from Foreign Currency

United States dollars and other foreign currencies have been translated into Canadian dollars on the following basis :

- a Inventory, at the average rate of exchange prevailing during the nine month period ended December 31, 1970 ;
- b Current liabilities, at the year-end rate of exchange ; and
- c Cost of goods sold, at the actual rates of exchange in effect at the date of payment.

10. Guarantees

The Company has guaranteed employees' bank loans totalling \$122,142 as at December 31, 1970 and interest thereon, incurred pursuant to the Company's key employee stock purchase plan. In addition, the Company has provided a bank guarantee in the amount of \$100,000 to the contractor for the building referred to in Note 11 as evidence of the Company's intention to sign the lease upon completion thereof.

11. Commitment

On December 28, 1970 the Company agreed to lease certain land and a building to be erected thereon for a term of 25 years with options to renew for two consecutive five year periods at an annual rental of \$211,138 for the first ten years of the lease with provisions for rental adjustment thereafter. Significant conditions stipulated by the lessor include the following :

- a Dividends may not be declared which would have the effect of reducing the working capital of the Company below \$2,000,000 ; and
- b The Company will pledge to the lessor as collateral security its shares in its affiliated company, Sanyo Canada Limited.

12. Remuneration of Directors and Officers

For the nine months ended December 31, 1970, two directors received remuneration amounting to \$2,000 (1969 — nil) ; the remaining five directors received no remuneration as directors. The remuneration of five officers, all of whom are also directors, amounted to \$92,210 (1969 — \$73,734).

13. Contingent Liability

The Company was advised by letter dated December 18, 1970 that the Department of National Revenue is reviewing the value for duty of television sets originating in Japan and imported by the Company on or after January 1, 1970. Should the Department's enquiries disclose that these television sets are undervalued, the Company may be called upon to amend entries covering the importation of television sets from Japan made on or after January 1, 1970 and pay an additional duty which, in the opinion of management, will not materially affect the Company's net earnings and financial position.

1. Changement de la date de clôture de l'exercice

A compter du 31 décembre 1970, la compagnie a changé la date de clôture de son exercice du 31 mars au 31 décembre. A cause de ce changement, il nous est impossible de donner les chiffres comparatifs vérifiés pour les neuf mois terminés le 31 décembre 1969.

2. Valeurs déposées en nantissement

Des récépissés d'entrepôt négociables, d'un montant de \$605,631 ont été déposés en nantissement auprès d'une banque de commerce en garantie de lettres de crédit d'un total de \$384,827.

3. Dette envers la banque

La dette envers la banque est garantie par un transport général enregistré des créances.

4. Effets à payer

Ce sont des effets non garantis portant un intérêt au taux de 7½%, échéant le 1er septembre 1974 et rachetables en totalité ou en partie au gré de la compagnie après le 1er septembre 1970. Leur rachat se fera à leur valeur nominale plus les intérêts courus, pourvu que ledit rachat ne ramène pas le fonds de roulement de la compagnie à moins de \$2,000,000.

5. Capital-actions

- a Autorisé :
2,000,000 d'actions ordinaires sans valeur nominale
Émis :
1,002,500 d'actions ordinaires (1969 — 1,000,000 d'actions)
- b Durant l'exercice, la compagnie a émis 2,500 actions ordinaires au prix de \$18,750 à la suite de l'exercice d'une option d'achat par un cadre supérieur de la compagnie.
- c Options d'achat d'actions
 - i Dirigeants et employés
Au 31 décembre 1970 des options d'achats portaient sur 20,000 actions ordinaires à des prix variant de \$6 à \$7.50 l'action, expirant le 1er septembre 1974 ou avant
 - ii Autres
Conformément à un contrat de souscription daté du 29 septembre 1969, une option d'achat a été accordée par la compagnie à

Pitfield, Mackay, Ross & Company Limited pour un achat maximum de 12,500 actions ordinaires au prix de \$5.50 l'action jusqu'au 29 mars 1971. Cette option d'achat a été exercée le 19 mars 1971.

6. Bénéfice par action 1970 1969

Bénéfices, compte non tenu des postes extraordinaires	50.6¢	47.3¢
Postes extraordinaires	8.1¢	—
Bénéfice net	58.7¢	47.3¢

Les chiffres ci-dessus ont été calculés sur la moyenne pondérée mensuelle du nombre d'actions en circulation pendant l'exercice
(1970 — 1,002,500 ; 1969 — 833,000).

7. Postes extraordinaires

Par suite de la décision de libérer au 1er juin 1970 le dollar canadien de sa parité fixe, la compagnie a réalisé un gain extraordinaire de \$80,925 (net d'impôt sur le revenu) lors du règlement de ses créances en devises qui existaient au 31 mai 1970.

8. État de la provenance et de l'utilisation des fonds

La compagnie ayant changé la date de clôture de son exercice, il nous est impossible de donner les chiffres comparatifs pour les neuf mois terminés le 31 décembre 1969.

9. Méthode de conversion des devises étrangères

Les dollars U.S. et les autres devises étrangères ont été convertis en dollars canadiens comme suit :

- a Stocks : au taux de conversion moyen pour les neuf mois terminés le 31 décembre 1970 ;
- b Exigibilités : au taux de conversion en vigueur à la fin de l'année ;
- c Coût des marchandises vendues : au taux de conversion en vigueur à la date du paiement.

10. Garanties

La compagnie a garanti des emprunts bancaires contractés par les employés en vertu du plan d'achat d'actions par les employés occupant des postes clés dans la compagnie. Le total de ces emprunts, au 31 décembre 1970, s'élevait à \$122,142 plus les intérêts y afférents. De

plus, la compagnie a donné une garantie de banque de \$100,000 à l'entrepreneur chargé de la construction mentionnée dans la note 11, comme évidence de son intention de signer un bail dès l'achèvement des travaux.

11. Engagement

Le 28 décembre 1970, la compagnie a convenu de signer un bail d'une durée de 25 ans pour la location d'un terrain et d'un immeuble qui sera construit sur ledit terrain. Ce bail comporte une clause de renouvellement pour deux autres périodes consécutives de cinq ans, moyennant un loyer annuel de \$211,138 pendant les dix premières années du bail, avec une révision du loyer prévu pour les années suivantes. Les conditions les plus importantes imposées par le bailleur sont :

- a Que la compagnie ne peut déclarer un dividende qui entraînerait une réduction de son fonds de roulement à un montant inférieur à \$2,000,000 ;
- b Que la compagnie donnera comme garantie additionnelle au bailleur les actions qu'elle détient dans sa compagnie affiliée, Sanyo Canada Limited.

12. Rémunération des administrateurs et des dirigeants

Pour les neuf mois terminés le 31 décembre 1970, deux des administrateurs ont reçu \$2,000 en rémunération (1969 — néant) ; les autres administrateurs n'ont reçu aucune rémunération comme tels. La rémunération de cinq membres de la direction, qui sont tous administrateurs, s'est élevée à \$92,210 (1969 — \$73,734).

13. Passif éventuel

En date du 18 décembre 1970, le ministère du revenu national a informé la compagnie qu'il était en train de vérifier la valeur en douane des téléviseurs importés du Japon par la compagnie depuis le 1er janvier 1970 inclusivement. Si l'enquête du ministère révélait que ces téléviseurs ont été sous-évalués, la compagnie pourra être appelée à rectifier ses déclarations de douanes relatives audits appareils importés depuis cette date et acquitter des droits supplémentaires. La direction estime que de tels paiements n'auraient pas un effet important sur les bénéfices nets ni sur la situation financière de la compagnie.

Directors

William C. Corbett
Robert Hirschel, C.A.
Bernard Klein
Ignaz Klein
Reuben Klein
Emil Marx
Leo Rosentzveig, Q.C.

Executive Officers

Ignaz Klein, President
Bernard Klein, Executive Vice-President
Emil Marx, Vice-President,
General Manager
Robert Hirschel, C.A., Vice-President
Finance, Secretary-Treasurer
Reuben Klein, Vice-President

Executive and Head Office

4980 Buchan Street, Montreal

Branch Offices

Toronto
14 Banigan Drive, Thorncliffe Park ;
Winnipeg
33 Stevenson Road ;
Edmonton
5609, 103rd Street ;
Calgary
419 Manitou Road S.E. ;
Vancouver
8275 Sherbrooke Street ;
Halifax
Shannon Plaza Shopping Centre

Auditors

Zittler, Siblin, Stein, Levine & Co.,
Chartered Accountants

Counsel

Mendelsohn, Rosentzveig, Shacter,
Taviss, Shayne, Greenstein & Levitt

Bankers

Royal Bank of Canada
Société Financière Pour le Commerce
et Industrie, Ltée

Transfer Agent and Registrar

Montreal Trust Company,
Halifax, Montreal, Toronto, Calgary and
Vancouver

Stock Exchange Listings

Montreal Stock Exchange
Toronto Stock Exchange

AR07

Cop report



MAGNASONIC CANADA LTD.
4980 Buchan St., Montreal 308, Quebec.

*Interim
Report to
Shareholders*

**For the Six Months Ended
September 30, 1970**

9
3,691
7,139
1,241
5,898
9,720
0,800
0,000
0,339
0,000
0,396
0,000
0,528

INTERIM REPORT TO

Magnasonic Canada Ltd. Shareholders

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 1970

The Directors take pleasure in submitting this interim report to shareholders along with a statement of earnings for the six months ended September 30, 1970, with comparative results for the six months ended September 30, 1969.

Revenues for the six months ended September 30, 1970, were \$9,387,696 compared with \$6,510,009 and \$4,847,948 for the same periods in 1969 and 1968 respectively. This represents an increase of 46% over 1969 and 94% over 1968.

Earnings from operations were \$613,351 in 1970 as compared to \$427,363 in 1969 and \$313,118 in 1968. This represents increases of 44% and 96% over the same periods in 1969 and 1968 respectively.

Net earnings for the first six months of 1970 amounted to \$324,715 or 32.4¢ per share, based on 1,002,500 common shares presently outstanding, compared with the results of operations for the same period in 1969 of \$209,564 or 21.0¢ per share, based on 1,000,000 common shares then outstanding. This represents an increase of 54%. Included in 1970 is an extraordinary gain on foreign exchange of \$43,040 or 4.3¢ per share, which was earned by the Company due to the release of the Canadian dollar to a floating rate of exchange.

The Directors are pleased to report that Sanyo Canada Ltd., a joint venture between your Company and Sanyo Electric Trading Co. of Japan, which is engaged in the assembly of television sets for your company, has progressed most satisfactorily. Further expansion of these facilities is contemplated during 1971. In view of the widely publicized anti-dumping investigation of Japanese television imports, which may have adverse effects on all TV importers, these available facilities for assembly take on added significance.

Your company plans to move into new premises in the near future, which we expect will result in increased operating efficiency.

Your directors are pleased with the results of operations as indicated to date, and are confident that this growth trend will continue throughout the balance of the current year.

MAGNASONIC CANADA LTD.

Interim Statement of Earnings

For the Six Months ended September 30, 1970
(with comparative figures for 1969)

(Unaudited)

	September 30, 1970	September 30, 1969
Revenues	\$9,387,696 ✓	\$6,510,009 ✓
Earnings on operations before income taxes	\$613,351	\$427,363
Provision for income taxes	\$331,676	\$217,799
Net earnings on operations	\$281,675	\$209,564
Extraordinary gain on foreign exchange (after income taxes thereon)	\$43,040	-
Net earnings	\$324,715 ✓	\$209,564 ✓
Earnings per share - on operations	28.1¢	21.0¢
Earnings per share on extraordinary gain	4.3¢	-
Total earnings per share	32.4¢ ✓	21.0¢ ✓

A statement of source and application of funds is not included because due to the nature of the Company's business, it does not make material investments in fixed assets, nor does it incur long term liabilities.

On Behalf of the Board

Montreal, Quebec
November 13, 1970

I. Klein
Chairman

1970 FINANCIAL HIGHLIGHTS

	1970	1969
Sales & other revenues	\$15,163,003	\$11,323,691
Earnings before income taxes	1,061,575	827,139
Income taxes	556,569	431,241
Net earnings	505,006	395,898
Working capital	2,774,612	1,089,720
Total assets	9,696,880	4,250,800
Long term debt	360,000	360,000
Shareholders' equity	2,598,405	850,339
Shares outstanding—end of year	(a) 1,000,000	(a) 1,000,000
Earnings per share	(a) \$ 0.505	(a) \$ 0.396
Shares outstanding—average	(b) 875,000	(b) 750,000
Earnings per share	(b) \$ 0.577	(b) \$ 0.528

NOTES:

- (a) These earnings per share are calculated on a pro-forma basis, had the presently issued shares been issued and outstanding as at March 31, 1969.
- (b) These earnings per share are calculated based upon the weighted monthly average number of shares outstanding during the years.



TO OUR SHAREHOLDERS

This first annual report as a public company is presented with a sense of deep satisfaction. The vision and industry of your management team is reflected in the substantial increase in sales and profit. These results were accomplished when tight monetary conditions were being reflected in a general business slowdown.

Financial Progress

Sales for the year ended March 31, 1970, increased 34% to \$15,163,003 compared with \$11,323,691 in 1969. Earnings were \$505,006 for 1970 as compared with \$395,898 for the year previous.

Year in Review

It was a year of significant progress. Employing modern concepts of forecasting, we were able to market the most complete quality product line in our history. The line comprises home entertainment products, household appliances, electronic component parts, video tape recording equipment, audio visual aids and electronic calculators. The above are marketed and sold under the highly respected brand names of Sanyo, Grundig, JVC-Nivico, Kenwood, Selfix and Magnasonic. Your company has invested in its future by further expanding its sales and service organization across Canada. Our sales analysis reflected the continuing diversification of our product lines and this combined with the stability of the company's basic products and aggressive sales efforts, supported by a national advertising campaign, have further enhanced Magnasonic's reputation as a major supplier to leading retail outlets in Canada.

In February, 1970, Sanyo Canada Limited in which your company has a 50% interest, started the assembly of black and white television sets and will soon commence the assembly of color television sets containing the latest electronic features. This joint venture is further evidence of your company's strong established ties with its principal suppliers.

A Look Ahead

Consideration is being given to the introduction of several new advance design products. Included in these products are 4 channel stereo total sound systems, portable video camera and recorder systems, colour and cassette video tape recorders, and rechargeable battery operated appliances. Also under review are anti-pollution control devices for use in home and industry. As soon as our market research will indicate public acceptance of these unique products, we plan to rapidly penetrate this new market.

Due to the increasing demand for our products and the resultant increase in volume, we are planning to centralize the Montreal operations and head office in a new building situated in a choice industrial area.

Appreciation

To our employees and suppliers, goes a special thanks for enabling us to achieve our goals, to all our shareholders our deep appreciation for their confidence and support.

I. KLEIN
President

July 30, 1970

MAGNASONIC CANADA LTD.

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

for the year ended March 31, 1970

(with comparative figures for 1969)

	1970	1969
Sales and Other Revenues	<u>\$ 15,163,003</u>	<u>\$ 11,323,691</u>
Cost of goods sold and operating expenses.....	13,585,460	10,239,471
Depreciation and amortization.....	42,104	36,208
Interest on long-term debt.....	15,750	—
Other interest.....	<u>458,114</u>	<u>220,873</u>
	<u>14,101,428</u>	<u>10,496,552</u>
Earnings before Income Taxes	1,061,575	827,139
Provision for income taxes.....	<u>556,569</u>	<u>431,241</u>
Net Earnings (Note 5)	505,006	395,898
Retained Earnings—beginning of year	<u>711,522</u>	<u>315,624</u>
	1,216,528	711,522
Expenses of Public Issue (Note 4)	30,690	—
Retained Earnings—end of year	<u>\$ 1,185,838</u>	<u>\$ 711,522</u>

MAGNASONIC CANADA LTD.

BALANCE SHEET

as at March 31, 1970

(with comparative figures as at March 31, 1969)

ASSETS	1970	1969
Current		
Cash	\$ 230,588	\$ 47,861
Marketable securities—at cost (market value—\$9,342)	10,000	—
Accounts receivable (less allowance for doubtful accounts — \$19,481; 1969—\$14,031)	2,671,581	1,386,341
Inventory at the lower of cost or net realizable value	6,579,879	2,650,644
Deposits and prepaid expenses	21,039	45,335
	<u>9,513,087</u>	<u>4,130,181</u>
Investments		
Shares in affiliated company—at cost	250	—
Advance to affiliated company	53,359	—
	<u>53,609</u>	<u>—</u>
Fixed		
Furniture, fixtures and equipment	191,078	135,916
Leasehold improvements	82,784	85,414
At cost	<u>273,862</u>	<u>221,330</u>
Accumulated depreciation and amortization	143,678	100,711
	<u>130,184</u>	<u>120,619</u>
	<u>\$ 9,696,880</u>	<u>\$ 4,250,800</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank loans (Note 1)	\$ 1,207,120	\$ 948,437
Accounts payable and sundry liabilities	5,092,901	1,711,543
Income taxes payable	438,454	380,481
	<u>6,738,475</u>	<u>3,040,461</u>
Long-Term		
Notes payable (Note 2)	360,000	—
Loans payable	—	360,000
	<u>360,000</u>	<u>360,000</u>
Capital Stock (Notes 3 and 6)	1,313,750	40,000
Contributed Surplus	98,817	98,817
Retained Earnings	1,185,838	711,522
Total Shareholders' Equity	<u>2,598,405</u>	<u>850,339</u>
	<u>\$ 9,696,880</u>	<u>\$ 4,250,800</u>

The accompanying notes form an integral part of the financial statements.

APPROVED ON BEHALF OF THE BOARD


Director


Director

MAGNASONIC CANADA LTD.

STATEMENT OF SOURCE AND USE OF FUNDS

for the year ended March 31, 1970
(with comparative figures for 1969)

	1970	1969
Source of Funds		
Net earnings for the year	\$ 505,006	\$ 395,898
Charges not requiring an outlay of funds		
Depreciation and amortization	42,104	36,208
	547,110	432,106
Issue of common shares	1,292,750	103,817
Increase in loans payable	—	46,775
Reduction in loans receivable	—	32,277
	1,839,860	614,975
Use of Funds		
Redemption of preferred shares	19,000	—
Expenses of public issue	30,690	—
Additions to fixed assets	51,669	83,183
Purchase of shares in affiliated company	250	—
Advance to affiliated company	53,359	—
	154,968	83,183
Increase in Working Capital	1,684,892	531,792
Working Capital—Beginning of Year	1,089,720	557,928
Working Capital—End of Year	\$ 2,774,612	\$ 1,089,720

Auditors' Report to the Shareholders of Magnasonic Canada Ltd.

We have examined the balance sheet of Magnasonic Canada Ltd. as at March 31, 1970 and the statements of operations and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements, when read in conjunction with the notes thereto, present fairly the financial position of the company as at March 31, 1970 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Zittler, Siblin, Stein, Levine & Co.
Chartered Accountants.

Westmount, Quebec
July 10, 1970

MAGNASONIC CANADA LTD.

NOTES TO FINANCIAL STATEMENTS

as at March 31, 1970

1. Security to Banks

The bank loans are secured by the assignment of negotiable warehouse receipts in the amount of \$187,591 and a registered general assignment of book debts.

2. Long-Term Debt

Loans payable as at March 31, 1969 in the amount of \$360,000 were converted into \$360,000 principal amount 7½% Subordinated Notes due September 1, 1974. These notes are redeemable, in whole or in part, at the option of the company at any time and from time to time after September 1, 1970 at par plus accrued interest, provided that any such redemption does not have the effect of reducing the company's working capital below \$2,000,000.

3. Capital Stock

	<u>1970</u>	<u>1969</u>
a) As at March 31, 1970		
Authorized:		
2,000,000 Common shares without nominal or par value . . .		
Issued:		
1,000,000 Common shares	\$1,313,750	
As at March 31, 1969		
Authorized:		
400 6% Non-cumulative, redeemable preferred shares of \$100 par value		
350 Common shares of \$100 par value		
Issued:		
190 Preferred shares		\$19,000
210 Common shares		21,000
	<u>\$1,313,750</u>	<u>\$40,000</u>

- b) On May 30, 1969, the company redeemed the then outstanding 190 preferred shares of \$100 par value for \$19,000 and on the same date issued the then remaining authorized and unissued 140 common shares of \$100 par value for \$14,000.

- c) On June 24, 1969 the company was granted supplementary letters patent giving effect to the following:

- (i) Converting the company into a public company;
- (ii) Cancelling the previously issued and subsequently redeemed 190 preferred shares;
- (iii) Changing and subdividing the 350 authorized and issued common shares into 750,000 common shares without nominal or par value;
- (iv) Changing the remaining authorized and unissued 210 preferred shares into 450,000 common shares without nominal or par value;
- (v) Increasing the authorized capital from 1,200,000 to 2,000,000 common shares without nominal or par value;
- (vi) Changing the company's name from Perfect Manufacturing & Supplies Corporation Ltd. to Magnasonic Canada Ltd.

- d) Pursuant to an underwriting agreement dated September 29, 1969, the company issued 250,000 common shares without nominal or par value for a cash consideration of \$1,278,750.

4. Expenses of Public Issue

Expenses amounting to \$65,873 have been reduced by the applicable income tax savings thereon of \$35,183, resulting in a net expense of \$30,690.

5. Earnings per Share

Earnings per share were 57.7¢ in 1970 (52.8¢ in 1969). The calculation of earnings per share for 1970 has been based upon 875,000 shares, representing the weighted monthly average number of shares outstanding during the year.

For 1969 the calculation was based upon 750,000 shares to give retroactive effect to the stock split (2143:1) which took place on June 24, 1969.

If it were assumed that all the existing stock options totalling 37,500 shares as referred to in Note 6, had been exercised, the fully diluted earnings per share for 1970 would have been 55.3¢.

6. Stock Options

a) Officers and Employees

On March 27, 1970, the company granted options to certain officers and employees to purchase 25,000 common shares. These options are exercisable at prices ranging from \$6.00 to \$7.50 per share and expire prior to September 1, 1974.

b) Others

Pursuant to an underwriting agreement dated September 29, 1969, an option has been granted by the company to Pitfield, Mackay, Ross & Company Limited to purchase up to 12,500 common shares at a price of \$5.50 per share at any time and from time to time up to March 29, 1971.

7. Basis of Translation from Foreign Currency

United States and other currencies have been translated into Canadian currency on the following basis:

- a) Inventory, at the average rate of exchange prevailing during the year;
- b) Current liabilities, at the year-end rate of exchange;
- c) Cost of goods sold, at the actual rates of exchange in effect at the date of payment.

8. Contingent Liability and Commitment

The company has guaranteed bank loans totalling \$148,500 as at March 31, 1970 and interest thereon, incurred by key employees upon the purchase of an aggregate of 28,000 common shares at \$5.50 per share pursuant to the company's key employee stock purchase plan.

The company has undertaken to invest, initially, \$150,000 by way of capital and loan in a company in which it owns a 50% interest. To date an amount of \$53,609 has been invested.

9. Remuneration to Directors and Senior Officers

Remuneration paid during the year to directors and senior officers amounted to \$100,096 (1969—\$71,970).



Directors

William C. Corbett
Robert Hirschel, C.A.
Bernard Klein
Ignaz Klein
Reuben Klein
Emil Marx
Leo Rosentzveig, Q.C.

Executive Officers

Ignaz Klein, President
Bernard Klein, Executive Vice-President
Emil Marx, Vice-President, General Manager
Robert Hirschel, C.A., Vice-President Finance,
Secretary-Treasurer
Reuben Klein, Vice-President

Executive and Head Office

4980 Buchan Street, Montreal

Branch Offices**Toronto**

14 Banigan Drive, Thorncliffe Park

Winnipeg

33 Stevenson Road

Edmonton

5609, 103rd Street

Vancouver

1000 Parker Street

Fiscal Agents

Pitfield, Mackay, Ross & Company

Auditors

Zittler, Siblin, Stein, Levine & Co., Chartered Accountants

Counsel

Mendelsohn, Rosentzveig, Shacter, Taviss, Shayne,
Greenstein & Levitt

Bankers

Royal Bank of Canada
Société Financière Pour le Commerce et Industrie, Ltée.

Transfer Agent and Registrar

Montreal Trust Company,
Halifax, Montreal, Toronto, Calgary and Vancouver

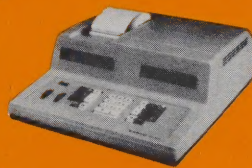
Stock Exchange Listings

Montreal Stock Exchange
Toronto Stock Exchange

MAGNASONIC



GRUNDIG



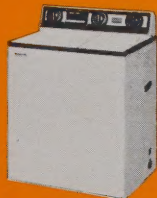
SELFIX



SANYO



ITC



NIVICO

KENWOOD



**magna
sonic**

4980 BUCHAN STREET, MONTREAL 308, QUE.

